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BANKING AND TRADING CASTES IN THE COLONIAL PERIOD:
The Case of the Nattukotai Chettiars of Tamil Nadu

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The Nattukotai Chettiars are a small group of bankers and moneylenders from Tamil Nadu who like the Marwaris achieved fame and fortune outside their home boundaries. A small subcaste of the Chetti community, the Nattukotais were considered outcastes at one time. In the early nineteenth century, the Chettiars began migrating to Southeast Asia at about the time the British were completing their colonization of Malaya and Burma. Beginning as small scale moneylenders, the Chettiars gradually emerged as a very important source of credit for the expanding production of cash crops in these two colonies and Ceylon. By the late nineteenth century, the Chettiars were an extremely influential and wealthy community. This paper places their economic activities in a historical context while attempting to explain the motivations and reasons for their migration and successes abroad.

INTRODUCTION

One of the striking features of economic development in colonial India, in the nineteenth and twentieth centuries was the role of business communities. The Parsis in western India and the Marwaris in eastern India are perhaps the best known of the communities.[1] The success of business communities in banking and moneylending has been attributed to resource groups within the communities. The resource group acts as a source of capital, skilled labor, and as an information network (Timberg, 1978: 38-39). Economic prosperity and the subsequent differentiation within the communities led to the disintegration of caste solidarity by the early twentieth century.

It is only in recent years that the role of some of the business communities has been researched at some length. The most prominent of the southern groups is the Nattukotai Chettiar community. The Chettiars, often called the Nagarathars, are an endogamous sub-caste, distinct from the 19 other Chetti subcastes.[2] The Chettiars became successful moneylenders and bankers, particularly in Southeast Asia, in the late nineteenth and first half of the twentieth centuries. By 1930, the Chettiars had built up financial and commercial assets amounting to 100 crores.[3]

In this paper we hope to trace the economic activities of the Chettiars between 1800-1930. The bulk of their capital was invested in moneylending and trade. What we hope to do is to pin down some of the factors responsible for the Chettiars leaving the Madras Presidency. Secondly, we will try to highlight some of the reasons for their relatively small involvement in the Madras Presidency between 1880 and 1930 when they were becoming extremely successful elsewhere. Finally, we offer some speculations as to why the Chettiars shifted from their traditional moneylending activities to industrial investment.

REASONS BEHIND THE CHETTIAR EXODUS FROM MADRAS PRESIDENCY

Very little is known about Chettiar activities before the colonial period. Details of the operations of indigenous bankers are comparatively undocumented, largely because of the informal and often secretive nature of their business. Their business had never been subject to detailed regulations or the statutory obligation to publish accounts. Indigenous bankers, like the Chettiars, usually financed local agriculture, collected revenues for local rulers, and served as exchange bankers for the several different currencies which were in use until about 1835, when the rupee was made legal tender. We have no estimate of the extent or volume of the Chettiar business transactions before the colonial period.

In the early years of the Company raj, there was apparently little contact between the Chettiars and the British. Very few of the dubashes or banians who formed the initial and indispensable link between the officers of the company and the local populace were drawn from the Chetti or Naik castes which were the prominent local mercantile castes. Initially, most of the dubashes belonged to castes that resided in areas adjacent to the first places of British settlement. Moreover, the caste backgrounds of the prominent dubashes reflected high rural status; they combined landholding with an interest in education, involvement in religious institutions and frequently administrative service under indigenous rulers,[4] unlike the banking castes, e.g. the Chettiars.

Chettiars started moving their operations out of the Presidency in the early part of the nineteenth century. While they had already expanded their operations to neighboring Ceylon by the eighteenth century, a small number of Chettiar firms began establishing branches in Calcutta in the early 1800's; in Malaya by 1808; and in Burma by 1826 (Mahadevan, 1978a). Their decision to relocate overseas may be linked to specific measures, which directly affected and diminished the indigenous bankers' traditional roles in the Presidency. In 1778, the abolition of the system of revenue collection through indigenous agencies affected that side of their business. The second measure, in 1835, introduced the uniform rupee coinage. This action deprived indigenous bankers of the highly lucrative commission charges on the interchange of currencies (Chandavarkar, 1983:797).

Equally significant were a number of steps taken by the government to regulate land revenue. The first half of the nineteenth century was marked by a period of often chaotic experimentation with methods of revenue collection in the Presidency. Between 1792 and 1822, the Company attempted to reorganize land settlements. Until 1801, the ryotwari system of revenue collection obtained. Then, between 1802 and 1822, because of pressure from Calcutta and London, the authorities attempted to introduce the zamindari system modeled after the Permanent Land Settlement Act of Bengal.[5] Finally, prompted by the potential for higher collections from individuals as well as by the extravagance and inefficiency of many zamindars, which resulted in many zamindaris reverting back to the government, the ryotwari pattern was once again reintroduced after 1822 (Kumar, 1983:214-217).

It was only after 1822 that the government turned to the pressing problem of excessively high revenue assessments which made Madras Presidency the most heavily taxed Presidency in India. Revenue rates were theoretically lowered in 1822, but in practice traditional rates recorded in village registers, which were often higher than the official rates, were adopted. In the general climate of falling agricultural prices, especially between 1815 and 1845, the rates only served to accentuate the problems of the ryotwaris and zamindaris. It is not inconceivable that under these circumstances, the Chettiars role in financing agricultural operations may have declined. Moreover, a series of customs duties on goods traded in the Presidency also served to depress inland trade in the early decades of the nineteenth century[6] (Sarada Raju, 1941: 250-253; Kumar, 1983: 214-221). These adverse conditions may have further disrupted Chettiar business activities in the Madras Presidency.

On the basis of what we know of South India in the early nineteenth century, it is interesting to speculate why the Chettiars, unlike the Bengali banians in Calcutta, did not invest in land in the first few decades of the nineteenth century. One argument may be related to their rather modest caste status. In South India of those times, such low status groups may not have been allowed to own land. Evidence for such proscriptions, however, is scanty. Even if such strictures were in effect, they may only have applied to mirasi holdings.[7] Zamindaris were sold to the highest bidder, and there is no evidence that Chettiars were prominent bidders for such properties in the first half of the nineteenth century. A more likely reason for their reluctance or inability to invest in land may have had to do with their economic status. There is no evidence to suggest that the Nattukotai Chettiars, despite being indigenous bankers, were anything more than small-time bankers and moneylenders with extensive contacts. It may have been the lack of resources that prevented them from acquiring landholdings. Additionally in the prevailing climate of high revenue assessments and falling prices which marked the first four decades of the nineteenth century, there was hardly any reason why shrewd bankers should invest heavily in land. For instance, by 1850 nearly 600 zamindari estates had reverted to the government because their owners were unable to meet the revenue demands. Thus it is clear that the Chettiar expansion outside the Presidency was mainly due to a lack of opportunities in the Presidency as well as the emergence of new options abroad.

CHETTIAR OPERATIONS ABROAD

The difficult times do not seem to have affected the social cohesion of the Chettiars. When opportunities afforded by the British colonial expansion in Ceylon, Burma and Malaya arose, the Chettiars were able to respond to them. Ito (1966: 371) argues that the ability of the Chettiars to respond to the new opportunities was due to their business organization, which he referred to as an agency system. While it is likely that the caste panchayats and the manner in which capital was raised from caste members had remained unchanged over the years, it is doubtful that the agency system was already in existence in the early nineteenth century. The more formal organizational structure, or the agency system, may have evolved as a result of experience overseas. A well-organized apprenticeship scheme, a system of incentives and bonuses, centralized control and a well-developed book-keeping system lay at the core of the agency system. This enabled the Chettiars to open branches overseas, while maintaining their headquarters in India. Thurston (1909: 251) observed a great deal of similarity between the business organization of the Chettiars and that of European merchants. In addition to these organizational advantages, institutions within the community also enabled the Chettiars to expand overseas. The business operations overseas were regulated by caste panchayats and later by caste associations, which played a major role in the economic and social life of the Chettiars abroad. These associations fixed interest rates on term deposits and mediated disputes between Chettiar firms. The associations also collected a religious tax, called magamai, which was levied on all Chettiar firms for purposes of charity. By the late nineteenth century, however, the panchayats had become defunct as more and more Chettiars sought to settle disputes in civil courts. By then, the larger and better-established firms were able to look beyond the community and seek deposits from non-Chettiar depositors and loans from European banks (Mahadevan, 1978b: 354).

In all three British colonies mentioned above, the Chettiar pattern of operations seem to have been similar. Shortly after the takeover of a territory by the British, the Chettiars moved in and functioned as local exchange bankers and moneylenders. These initial operations were small and informal. The arrival of British exchange banks eliminated some of these functions. The Chettiars then assumed a compradore role with remarkable ease. They acted as an intermediary between the British banks and the local populace: borrowing money from these banks at what was called the Chetti rate,[8] and then extending credit to the local populace. Their role was undoubtedly helped by the absence of local moneylenders among the indigenous people in Malaya and Ceylon, but in Burma, until the late nineteenth century, they faced stiff competition from Burmese moneylenders.[9]

In Malaya, Chinese pioneers in the tin mining and rubber planting industries relied heavily on Chettiar financing. In Burma, the Chettiars initially extended credit to local moneylenders, and with the expansion of the rice growing area, they became the chief source of credit to the Burmese rice farmers. In Ceylon, the Chettiars were the chief source of credit to local Ceylonese agriculturists. In the years after the opening of the Suez canal in 1869, all three colonies were increasingly linked to the world market. Burma became the chief producer of rice; Ceylon emerged as an important producer of tea while Malaya became the primary producer of rubber and tin. As the products of each of these countries became important commodities on the world market, the Chettiar community became very successful (Allen and Dornithorne, 1957: 40-45; Mahadevan, 1978b: 334-339; Weerasooria, 1973: 26-32).

Though the Chettiars had been operating in the three colonies before 1830, their prosperity was tied to the integration of the economies to the world market in the last quarter of the century. It should be noted that the Chettiars had been in these three colonies for over fifty years, operating on a small scale, before they became really successful. Much of the Chettiar wealth was acquired in the four decades before 1930. In the thirty five year period between 1896 and 1930, according to evidence before a Madras Banking Commission, the value of Chettiar assets and operations increased from 10 crores to 80 crores (Bagchi, 1972: 207n). For a number of reasons to be discussed later, the Chettiars were never as dominant in the Madras Presidency as they were in the three British colonies. Table I presents a breakdown of Chettiar assets for 1929-30, clearly revealing the importance of overseas operations for the Chettiars.[10]

There is some evidence to indicate that the Chettiars diversified their economic activities abroad, especially in the twentieth century. In Burma they owned and operated sawmills and ricemills (Mahadevan, 1978b: 350). In Malaya, the Chettiars acquired rubber estates and established trading companies (Mahadevan, 1978a: 148). In Ceylon, Chettiars became general merchants, transport agents, mill owners and civil contractors (Weerasooria, 1973: 23). But the number of firms which diversified was small. It is still unclear whether the Chettiars actually started these enterprises or took them over because of a default on a loan.

Unlike some of the Marwaris who migrated out of Rajasthan in the nineteenth century and became banians or agent brokers of British enterprises, the Chettiars remained primarily bankers and moneylenders. Most of the Chettiar business relationships with the British were restricted to the exchange banks, both in the Presidency and abroad. Whether the narrow nature of this relationship hindered Chettiar entry into modern enterprises is difficult to assess at this point in time. There is some debate among historians as to whether the relationship between the Marwaris and British firms actually helped the former move into industry (Timberg, 1978: 149,160).

CHETTIARS IN THE MADRAS PRESIDENCY 1880-1930

The Chettiar emigration abroad was by no means permanent. Chettiar women rarely traveled abroad and this ensured that most Chettiars maintained close contact with their native Ramnad and Pudukottai districts. In addition their business operations were headquartered in south India. Thus the shift of operations abroad did not mean a break with the Presidency. In a limited manner, the Nattukotai and Komati Chettis were able to play a role in the expansion of cash crop agriculture in the Presidency during the 1830's and 1840's (Nield-Basu, 1984: 27). Much of the impetus for the expansion of cash crops like cotton, indigo and sugar came from British agency houses in the Presidency. It is possible that the Komatis and Nattukotai Chettis acted as intermediaries between these agency houses and the producers, but the details of this relationship remain comparatively undocumented. Despite the growth of cash crops, the overall agricultural situation in the Presidency remained poor until about the 1880's. Hence when Lower Burma was incorporated into the colonial empire in 1852, another stream of Chettiars headed for Burma.

Until the 1880's, there seemed to be no direct or indirect obstacles to the Chettiars continuing to maintain business ties both in India and in the three colonies. But with the introduction of income taxes in the Presidency, complaints from the Chettiars began to emerge. Repatriated profits were likely to be taxed as business profits.[11] With the money they repatriated, the Chettiars acquired zamindari estates, directly and when zamindars defaulted on loans. They acquired urban property all over the Presidency. The Chettiars also lavished money on temples and cultural organizations, and financially supported virtually every public movement without discrimination. Washbrook (1977: 107-117) estimates that the Chettiars spent about 1.82 crores, between 1860 and 1914, on temple renovations alone in the Presidency. Individual Chettiars donated huge sums of money toward charity and public works. It would be easy to dismiss away such philanthropic acts as altruism. But a closer examination reveals a set of interesting interpretations. The Chettiars relied heavily on other Chettiar caste members for deposits, and even as late as 1929, almost 80 percent of their operating capital was raised within the community. Such philanthropic contributions, as well as a Chettiar's assets, determined his credit standing in the eyes of his caste members and others wishing to invest in a firm. What may be labeled conspicuous consumption by some, in fact fetched rich economic dividends.

Moreover the heavy contributions towards the restoration of temples also brought Chettiars heightened virtue and social status and served to put to rest rumors of their disreputable origins. In the south India of those times, wealth could be translated into secular and ritual status as well as a maximum of social influence only through patronage endeavors. It was then not surprising to find the wealthy elite emerging as prominent philanthropists. Lest one be lulled into the suspicion that these philanthropists were indulging in such acts merely to gain status, it appears that temples were useful from an economic viewpoint. For example, as early as 1879, Washbrook (1977: 183) estimates that the temple economies in the Presidency were worth about 30 crores and had an annual income of 1.7 crores. Temple committees issued valuable contracts and controlled shops and markets built on the premises. Control over temple committees benefited bankers like the Chettiars. In hard economic terms, control of temple committees meant control over land, commerce, credit, jobs associated with the temple, contracts and gifts. The dominance of temple committees brought control over local economies, and could be used as a springboard into the political arena. It is not surprising, therefore, that in the late nineteenth century, it was common for individual Muslim and Christian businessmen to become involved in the politics of Hindu temples (Baker and Washbrook, 1975: 74-76).

In addition to their donations to charity, the Chettiars developed a stake in the Presidency's economy. Despite the crippling famines of the late 1870's, agricultural conditions made steady improvements in the 1880's and 1890's. Fostered by rising grain prices, transport facilities expanded as did irrigation networks. New crops were also introduced.The rise in grain prices and cash cropping led to an increasing stratification of rural society, particularly in the dry zones. Land values rose, along with the rise in the price of agricultural produce. Revenue demands were lightened in the last two decades of the nineteenth century. By the mid-1860's, revenue assessments were based on the cultivator's surplus rather than a fixed part of the gross produce (Kumar, 1983: 229-230). Land revenue dropped from six percent of the gross value of the agricultural product in the 1880's to between four and five percent in the first two decades of the twentieth century. This made investment in the rural sector attractive. As agricultural conditions in the Presidency improved in the last quarter of the nineteenth century, the Chettiars did achieve a certain level of ascendancy in Tinnelvelly, Coimbatore, Ramnad, and Tanjore districts of the Presidency. Except in Ramnad, their home district, Chettiars did not usually directly finance local agricultural operations. In Tinnelvelly, they financed traders while in Coimbatore as well as in parts of coastal Andhra, they advanced loans to rice mill owners. Exorbitant rates of interest could be obtained from moneylending.[12] But the Chettiars were never able to attain a hegemonic position in the Presidency.

Competition from other moneylenders, particularly richer ryots,[13] was one reason why the Chettiars were unable to attain a dominant position in the Presidency. They also complained that the state of land laws was the primary reason for their transfer of funds to Southeast Asia.[14] There is some evidence to back up this claim. It was very difficult for outsiders to acquire land or seize land for default on loans. The sales of land were controlled by village officers, who may have been more susceptible to pressures from local ryots or landlords, who more often than not, were competitors of the Chettiars. But at the same time, Chettiars did not seem to have any difficulty in acquiring zamindaris. Moreover, through their philanthropic activities, they had come to control imams, or lands held in trust for temples and religious establishments. While transfer of land to non-cultivators was difficult, especially in ryotwari areas, the laws served mainly to keep interest rates high as well as explain the importance of caste and kin criteria in the credit network. If zamindaris and urban property could be purchased, it is interesting to speculate why the Chettiars were troubled by the state of the land laws.

The information we have about the Chettiars in the Presidency in the period between about 1880 and 1930 does, however, suggest that these complaints may have actually been symptomatic of the growing internal differentiation within the Chettiar community. Chettiars made substantial donations to charity and many of them acquired property. Some Chettiars, as will be discussed below, established textile mills and other modern enterprises. Despite these successes, there were complaints about the difficulty of repatriating capital to the Presidency or keeping it invested there. Wealthier Chettiars seemed to have no problems repatriating profits or making investments in the Presidency. They had little in common with the proprietors of smaller firms. The latter, with tighter credit supplies, may have had to confront the real problems of financing trade and agriculture in the Presidency. For them it seems both taxes and barriers to entry into the land market were of major significance. While we know very little about the internal politics of the Madras-based Nagarathar Association,[15] it is possible that the Association may have been articulating the frustrations of the smaller firms doing business in the Presidency. Some of these frustrations may have arisen from the from having had to compete with other moneylenders, richer ryots for example, who dominated rural moneylending. Moreover, the local ties of the ryots made it easier for them to influence village level officers who were responsible for the transfer of land titles.

The frustration of the smaller Chettiar groups may have been compounded by the fact that there were very few investment outlets in the Presidency. The terms of trade favored agriculture between 1880 and 1930. While revenue demands on agriculture had lightened considerably, to meet the shortfall in revenue collection the Madras administration was forced to seek revenues from the non-agricultural sector. In 1886, the first tax on non-agricultural incomes was introduced. Excise duty on the liquor trade and customs rates were then introduced. Local and District boards , established from 1884-85, were empowered with powers of taxation, and a whole series of taxes on property, entertainment, vehicles, and animals were introduced, reinforcing the burden on urban residents (Baker, 1975:207-211; 1976:12-20). The rate of taxation went up, in some cases doubled, after the first World War. Moreover, Madras Presidency had to meet a larger share of the Central Government's revenue demands than either the Bengal or Bombay Presidencies (Baker and Washbrook, 1975: 208-209). While it is difficult to conclude that these were the primary factors[16] behind the slow growth of industry and urban enterprises in the Presidency, it certainly was a factor in restricting the smaller Chettiar firms, with no business experience outside the agricultural sector, to the Presidency's agricultural economy.

Most of the limited initiatives by Indians in industry came from big landowners, who sought to diversify their interests by entering into industry, by financing mining operations, and seeking railway, military and civil contracts. Some established rice mills, paper mills and cotton presses. Their capital aided the expansion of the provincial banking facilities in the early 1900's. The most important of the banks, the Indian Bank, was established in 1907 with Chettiar capital (Washbrook, 1977: 12). There was apparently no shortage of capital for industrial expansion.[17] Industry obtained a boost during the swadeshi movement in 1905. Chettiar entrepreneurship in industry was limited to a few individual efforts, led by zamindars or large landowners. A.L.A.R. Somasundaram Chettiar whose family owned a zamindari, was the managing agent for two textile mills. A number of other ventures were started by Chettiars. The A.R.A.R.S.M. family firm started with a textile mill and later took over a sugar mill around 1910. If the period under review is extended upto 1925, Chettiars owned six textile mills,[18] a paper mill and a small cycle factory and numerous trading companies (Mahadevan, 1973: 135-38). It is also possible that more Chettiars made other investments in other enterprises but this remains undocumented. But viewed in the light of the tremendous expansion of their assets since the late nineteenth century their interests in modern enterprises were relatively minor.

The share of Chettiar investments in the Presidency was relatively small compared to its investments abroad. This was partly because they found opportunities for unfettered expansion abroad as compared to the Presidency. By the time conditions in the Presidency improved, the Chettiars were already well entrenched abroad. Both in Malaya and Burma, economic conditions were booming. With minimal restrictions and obstacles to the acquisition or transfer of land titles, it is not surprising that Chettiars continued their migration abroad. The number of firms in Burma increased from about 350 in 1910 to 1600 by 1930. This was despite the fact that by the early 1920's, Burmese nationalism was beginning to take on a distinctly anti-Indian flavor (Chakravarti, 1971:97-116).

As already discussed, some of the capital which was repatriated to the Presidency went into "charity". This was extremely important because of the status it brought the community. The more wealthy Chettiars bought zamindaris and other urban property while others established textile mills. Yet despite these successes there were complaints about not being able to repatriate profits or difficulties relating to moneylending in the Presidencies. Aside from the objective basis of these complaints, we have also suggested that these complaints reflect one sign of growing economic differentiation within the Chettiar community.

THE DEPRESSION AND THE CHETTIARS: THE END OF AN ERA

A sustained decline of Chettiar fortunes occurred with the depression of 1929. When prices fell, loans were defaulted and a lot of land passed over to the Chettiars. In Burma, almost a quarter of the 1600 firms operating there collapsed. The Chettiars were left with thousands of acres of rice land which had become worthless, because of falling land values and grain prices. In Malaya, the decline in rubber and tin prices also affected Chettiar fortunes. Initially, the Chettiars believed that the effects of the depression were temporary and the majority of firms retained their capital in Burma. It could be argued that had they been left to themselves, the Chettiars may have extricated themselves from this predicament.

But in the wake of these setbacks, investigative commissions were set up to enquire into Chettiar business styles and practices. These were spurred on by a wave of anti-Chettiar feelings, particularly in Burma, which made it difficult for Chettiar businesses to maintain the ascendancy they once had. By the mid-1930's the Chettiars had come to possess a quarter of the total agricultural land in Burma. Since most of the capital was tied down to property, it was difficult for the firms to withdraw their capital from Burma, nor were they able to find buyers for their property. Most firms that maintained their presence in Burma, despite the rising nationalist pressures, lost almost all their assets in the post-independence nationalizations in 1948. Chakravarti (1971:68) estimates that the Chettiars lost almost three-fourths of their assets in Burma. Most of the Chettiar losses occurred in Burma, and is evident from Table I, their Burmese assets amounted to almost two-thirds of their total assets. We have no estimate of the number of firms which were able to salvage their capital in Burma, either during the 1930's or after the Second World War.

In the Presidency itself, the terms of trade which had long favored agriculture, shifted a few years before the depression. The extensions of tariff protections were partly responsible for increasing the profitability of industry. Moreover, rural indebtedness had been rising steadily through the 1920's and by the end of the decade, there were a series of violent actions against the landlords and zamindars. It was a flight of capital from rural areas that fueled the expansion of urban industry and commerce. In Madras, cotton and sugar were the two most important growth industries. Most of the cotton textile mills were established by Naidu entrepreneurs in the Coimbatore and Madurai areas. Investments were made in banking and loan agencies, trade and manufacture and in insurance. By 1924, only 692 joint stock companies had been established, but in the next ten years, the number almost doubled (Baker, 1976: 186-192).

The depression served to renew and strengthen Chettiar interests in the Madras economy (Ito, 1966). There is no estimate available for the amount of capital that was withdrawn from the three colonies into the Madras Presidency. Investors handbooks for the period indicate a rise in the number of Chettiars investing in modern enterprises. At least six textile mills were established with Chettiar capital in the period between 1930 and 1940. Capital was invested in the cement industry, in plants for the generation of electricity, in banks and insurance companies. At least five banks and six insurance companies were established with substantial Chettiar capital. While some of the banks were joint stock enterprises, others represented a modernization of old moneylending operations - a case in point was Raja Sir Annamalai Chettiar's decision, in 1929, to turn his traditionally oriented family firm into the Bank of Chettinad. The family firm, which subsequently emerged as one of the largest Chettiar conglomerates, made most of its industrial acquisitions after the Second World War. Another prominent Chettiar firm, that of A.M.M. Murugappa Chettiar, was saddled with land in Burma, but was able to retrieve some of its assets and establish a small manufacturing plant in Madras, in 1939. The Murugappa business combine expanded its industrial base after the Second World War. Most of the Chettiars, however, purchased stock in companies or served on the board of directors. Only a small number of families made direct investments in modern enterprises.

The depression years marked a watershed in the economic history of the Nattukotai Chettiar community. Before the depression, opportunities for the expansion of their traditional business operations were relatively unrestricted. But in the wake of the depression, banks in the Presidency and abroad tightened rules of credit for Chettiars. Even in Malaya, where Chettiars had previously operated with a minimum of problems, steps were taken after 1931 to stop the transfer of land to non-agriculturists (Mahadevan, 1978a: 151). The Chettiars were also confronted with a political problem in Burma, where the Chettiars as absentee landlords quickly became the hostile focus of Burmese nationalists. The firms that survived were forced to abandon their traditional activities. When we look at the list of business combines identified by Ito (1966), only two of the combines, namely the Somasundaram and Theagaraja Chettiar groups had shifted to modern enterprise before 1930. All the other major Chettiar groups shifted investments after the onset of the 1929 depression. It is tempting to examine why most firms remained in the traditional areas of business. It is probable that the relative profitability of moneylending as opposed to industrial investment may have been the key factor. This may be linked to the factors which made for slow industrial growth in the Presidency. A detailed examination of those factors is beyond the scope of this paper. But there are sufficient indications to suggest that government policies may have been behind the slow industrial growth of the Presidency. Additionally, the Chettiars faced the problem of working in an environment in which their very operations generated the hostility of the local populace. The impact of this should not be under-estimated. This may partially explain the reluctance of the Chettiars to invest in fixed assets abroad.

CONCLUSION

In the colonial era, for a number of reasons, Indian capital played a subordinate role to that of British or foreign capital. Notwithstanding this, several merchant groups expanded their operations phenomenally, e.g. the Parsis, the Marwaris, and the Chettiars. Trading and moneylending were the key activities which launched the capital accumulation of these groups. It was an often precarious existence, for any depression in trade resulted in a failure of numerous Indian firms. The impact of the Opium wars and the 1847-50 depression on the Parsis has been well documented. Similarly, the Chettiars too faced crises in 1907, and a much more serious one in 1929-30. Generally speaking, these communities were quite adaptable, able to switch investments because of failing prospects here and expanding opportunities there. The Parsis, for example, had accumulated capital in the China trade in the eighteenth and nineteenth centuries and had even expanded into shipbuilding and small manufacturing. When as Guha (1970: M112) argues, British mercantile policies adopted in the first half of the nineteenth century caused a decline of Parsi shipbuilding and the shipping industry,many Parsi firms collapsed while some Parsi entrepreneurs shifted their investments into other areas, such as the textile industry. It has been argued that the success of indigenous groups like the Parsis in western India was due to the smaller degree of penetration by colonial capital in that part of the subcontinent.

The Marwaris who operated in Bengal faced a different situation. British domination of industry had long been established in the Bengal region. The Marwaris, when diversifying from their traditional business, established themselves as banians or agents of British companies. During the First World War those Marwaris who chose to invest in the jute industry made enormous profits . This was made possible by their long experience in the jute trade and the special position enjoyed by the jute industry during the First World War. What we are suggesting here is that the transition from traditional forms of economic activity to involvement in modern industry may have been contingent on factors which may have been specific to a particular Presidency or province. This is not to suggest that no general conclusions can be drawn: we merely argue that specific policies or even experiences, unique to the area or even community may have influenced the timing of the transition into modern enterprises.

In the case of the Chettiars, there were a number of factors which could have influenced their decision to remain in banking and moneylending until the depression. The fact that their main operations were abroad was probably one important factor. The Chettiars had to confront the political problem created by their operations in Burma and Ceylon and this may explain their reluctance to diversify their base. The small populations of these countries and the structure of their economy made it very difficult for them to develop industrially in the manner in which India did in the second half of the nineteenth century. Perhaps equally crucial was the relatively slow growth of industry in Madras Presidency. It is not our intention to do a comparison of the different Presidencies, but there are grounds to indicate that the tax burdens of Madras Presidency were higher than those of the others and may have contributed to the slower rate of industrial growth. This is not to argue that had taxes been lower, there would have been more Chettiar investment in industry. It merely points out that there were not too many outlets for Chettiar capital outside agriculture, between the 1880's and the 1920's. During this period the terms of trade favored agriculture. We suggest that a closer look at the relationship between the government's policies and the terms of trade could unearth some of the reasons for the slow growth of the non-agricultural sector in the Presidency at the turn of the century, and the constraints this placed on investment outlets for groups like the Chettiars.

NOTES

This is a modified version of my M. Phil thesis submitted to Jawaharlal Nehru University in 1980.

1. Gadgil (1969), Lamb (1955) and Timberg (1978) contain discussions of Indian business communities - a term first used by Gadgil.
2. The Nagarathar names are made distinct by distinctive trade styles or vilasam appended to the names of individuals.Thurston (1909), Masters (1957) and Chandrasekhar (1980) discuss the Nagarathar caste origins. According to Thurston (1909: 251) the Nagarathars were considered were considered outcastes by other Chetti groups because of their dubious origins.
3. A crore is ten million rupees.
4. Most of the dubashes in Madras city were Vellalars, Kanakapillais, Telugu Brahmins and Idaiyars - all castes with higher ranks in the local social hierarchy (Nield-Basu, 1984: 14). The dubashes were hired mainly for their political and administrative skills, and their involvement in commercial enterprises was relatively smaller. Nield-Basu adds that by the turn of the nineteenth century, there were a number of Chettis and Naiks holding positions in the government as well as in some of the British agency houses. But by the early 1800's, the term dubash was used exclusively for Indians who were interpreters and brokers with British enterprises. We do not know how many of these individuals were Nattukotai Chettis.
5. The zamindaris were introduced almost always in the drier regions of the Presidency. In 1830, up to a third of the Presidency was under the zamindari system. The zamindari estates were also introduced in Ramnad district, the native district of the Chettiars. Most of the Chettiar acquisitions of zamindaris were made after the 1880's.
6. The poor conditions of the roads, and trade routes in the early part of the nineteenth century also contributed to the decline in trade. The presence of numerous trade and customs posts increased the scope for harassment and corruption: conditions that further depressed trade.
7. Mirasi holdings are held by mirasidars who have a hereditary right to such holdings. It should be noted that under the ryotwari system, certain caste privileges were recognized and that there were only minor changes in the social fabric (Mukherjee and Frykenberg, 1969: 220-225).
8. The Chettiars borrowed some of their capital from British joint stock banks in the colonies. The rate of interest which

the joint stock banks charged Chettiars for the loans was higher than that offered to European companies, and this inflated rate was the Chetti rate.

9. From the late nineteenth century onwards, contacts with the India-based Presidency banks enabled the Chettiars to counter the competition from indigenous Burmese lenders (Jain, 1929: 165-69). The Chettiar firms could raise loans in Calcutta and Madras at lower rates than those offered by Europeans banks in Burma or elsewhere. Such preferential treatment of the Chettiars infuriated the Burmese and Ceylonese (Weerasooria, 1973: 32).

10. Table I

Breakdown of Chettiar Assets by Region, 1929-1930.

Region	Assets
Ceylon	14 crores
Malaya	25 crores
Madras Presidency	1 crore
Indo-China	5 crores
Burma	75 crores

Source: Mahadevan, 1978b: 333.

These figures were calculated on the basis of less than reliable tax returns as well as submissions from Chettiar firms. There is some debate on the extent of underestimation of Chettiar assets in the Presidency, but there is no rejecting the conclusion that the bulk of their assets were located outside India, particularly in Burma (Mahadevan, 1978b: 333n).

11. The Nattukotai Chettis did in fact have a lawyer represent their interests, especially on taxation issues before the Madras Legislative Council in the early 1900's (Washbrook, 1977:55). One of the significant concessions they won was the right for their family firms to be taxed as a single unit instead of being considered separate and independent branches. This enabled the firms to adjust losses in a branch with profits in other branches. As late as 1930, the complaint about taxes was still being articulated before the Madras Banking Enquiry (vol. III: 1186). There is actually no reason to think this taxation represented a serious deterrent to the repatriation of profits. Profits could easily have been chaneled back through the independent principality of Pudukottai, which is one of the two native districts of the Nattukotai Chettiars, where the profits, it appears, were exempt from Madras Presidency taxes (Mahadevan, 1978b: 333n). It is possible that firms with headquarters outside Pudukottai may have had to face this specific problem. there is however no estimate available of how much more profits might have been repatriated to India if these had remained untaxed.

12. We know very little about interest rates charged in the Presidency in the nineteenth century. Most of the figures available are from the Banking Enquiry Commission Report of 1930. According to Washbrook, rates of 20-40 percent were common in the late nineteenth century for loans to the uncreditworthy (1977: 116). Often charges were deducted from the principal when it was given out. The rate for mortgages was about 12 percent while those for other types of securities was between 15 and 18 percent. The rates in Burma ranged from 18 to 36 percent per annum and sometimes upto 45 percent was charged for small loans (Mahadevan, 1978b: 352). Rates in Malaya were between 12 and 36 percent, depending on the nature of the security offered (Mahadevan, 1978a: 149). In the two colonies, foreclosures were easier to arrange for default of loans.

13. There is a debate about the extent of involvement of richer ryots in moneylending. Jain (1929:89) estimated that 50 percent of agricultural credit was extended by other ryots while Washbrook (1977:70) places the figure at 90 percent for rural loans and 75 percent for written mortgages. The Madras Provincial Banking Committee places the figure at about 75 percent. These figures have been challenged as being too high by Robert (1983: 59-76) on the basis of data from the dry regions of the Presidency.

14. See evidence of the Madras based Nagarathar Association presented to the Madras Provincial Banking Enquiry Committee, vol. III p. 1117. But as far as we know, this specific complaint was not articulated by the other major moneylending communities like the Marwaris and Multanis.

15. The Burma Nattukotai Chettiar Association, established in 1924, for example, was dominated by the larger firms (Mahadevan, 1978b: 348). It was formed to replace the caste panchayats which were no longer being used. Though it was formed to unite the large number of firms in Burma, some of the issues raised at the meetings were no longer important to the larger firms. These included the desire to continue the system of inter-firm borrowing; the role of caste panchayats, or even more mundane issues like the length of tenure of Chettiar agents. The larger firms, apparently, were more keen on using the Association to lobby for concessions from the authorities. So it is clear that the interests of the larger and smaller were diverging. If the firms operating in Burma showed such differences, it can be argued that their headquarters and proprietors in India were just as divided on many issues.

16. As in common with other Presidencies, there were complaints by Indian businesses about the lack of tariff protection, the technical problems and the domination by British business. See the Indian Industrial Commission Report, vol. III (1918: 55, 443-44) for the evidence of P. Theagaraja Chetti and A.L.A.R. Somasundaram Chettiar. Bagchi (1972: 188-191) describes the European domination of the economy of the Presidency. There were other indications of the slow growth of industry and joint stock companies in the Presidency. For example, a Madras Stock Exchange was established in 1937, nearly a hundred years after the ones in Bombay and Calcutta had been established (Baker, 1976:186).

17. See evidence from the Indian Industrial Commission Report, vol. III (1918), p. 282.

18. One of these mills was established by Karumuthu Theagaraja Chettiar, who became one of the textile magnates of South India (Ito, 1966).

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